

ICC Docket Nos. 07-0241 and 07-0242
The Peoples Gas Light and Coke Company's and
North Shore Gas Company's Response to
People of the State of Illinois Data Requests AG 6.01-6.09
Dated: May 11, 2007

REQUEST NO. AG 6.04:

At page 24 of his PGL Direct Testimony, Mr. Borgard states, "The Company proposes to effectuate Rider VBA. This proposal would mesh the weather normalization adjustment with the decoupling adjustment for easier administration, but each adjustment could stand on its own." Please respond to the following:

- a) Please explain how "each adjustment could stand on its own", illustrating how the mechanics of VBA calculations might be disaggregated to isolate weather from conservation effects.
- b) In the event the Commission does not approve the VBA as proposed, does the Company desire implementation of a Weather Normalization Adjustment ("WNA") form of rate adjustment rider that would stabilize margin recovery variations that are now caused by weather fluctuation?
- c) If your response to part (b) is negative, please explain all reasons why a WNA is not believed to be desirable and beneficial to the Company and its customers.
- d) Please response to parts (a) through (c) of this data request for North Shore.

RESPONSE:

- a) In order for each adjustment to stand on its own, Rider VBA would need to be disaggregated to include a weather normalization adjustment (WNA) mechanism to address changes caused by weather variations and a "partial" revenue decoupling mechanism to address changes caused primarily by customers' energy efficiency and conservation efforts. The WNA mechanism would need to consider the difference between actual usage and weather normalized usage while the "partial" revenue decoupling mechanism would need to consider any changes in weather normalized usage from year to year. However, Rider VBA, which captures the effects of weather and conservation, is computationally and administratively simpler and, as Ms. Grace notes in her testimony at Peoples Gas Ex. VG 1.0, p. 46, avoids the potential overlap that could occur if the weather and conservation were treated separately.
- b) The Company cannot speculate whether the Commission will approve its proposed Rider VBA. The Company desires implementation of a ratemaking mechanism that stabilizes margin variations caused by weather and other usage variations.
- c) A WNA is limited only to variations due to weather. Rider VBA considers variations due to weather and conservation. This is more beneficial than a WNA to the Company and its customers for the reasons explained on pages 31 and 32 in Mr. Feingold's testimony (Peoples Gas Ex. RAF 1.0).
- d) See a through c above. For (a), the reference to Ms. Grace's North Shore testimony is North Shore Ex. VG 1.0, page 42. For (c), the reference to Mr. Feingold's North Shore testimony is North Shore Ex. RAF 1.0, pages 29-30.

AG-CROSS Exhibit No. 7

Witness Feingold

Date 9/15/07 Reporter TO

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